Annual Financial Statements

for

DIKGATLONG LOCAL MUNICIPALITY

for the year ended 30 June: ***2013***

Province: Northern Cape

Contact Information:

Name of Municipal Manager:	MH Robertson
Name of Chief Financial Officer:	P Wakelin
Contact telephone number:	(053) 531 0671
Contact e-mail address:	pwakeling@gmail.com
Name of contact at provincial treasury:	G Beukes
Contact telephone number:	(053) 831 4816
Contact e-mail address:	gbeukes@ncpg.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	(053) 8311016
Contact e-mail address:	kmbag@agsa.co.za
Name of contact at National Treasury:	Irene Mathatho
Contact telephone number:	irene.mathatho@treasury.gov.za
Contact e-mail address:	012 315 5079

DIKGATLONG MUNICIPALITY

BARKLY WEST

DIKGATLONG MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

DIKGATLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

Cllr WM Mogongwa	**Mayor**
Cllr DD Mbizeni	Member
Cllr SS Khoza	Member
Cllr ME Kleinjan	Member
Cllr OG Riet	Member
Cllr K Rifles	Member
Cllr MJ Hendricks	Member
Cllr ML Stephens	Member
Cllr DP Papers	Member
Cllr NG Witkoei	Member
Cllr S Witkoei	Member
Cllr ME Motsamai	Member
Cllr J Mweninjawa	Member

Municipal Manager

MH Robertson

Chief Financial Officer

P Wakelin

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

First National Bank

General information (continued)

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

Barkly West

Dikgatlong Municipality
33 Campbell Street
Barkly West
8345

Dikgatlong Municipality
Private Bag X5030
Barkly West
8300

053 - 531 0671

053 - 531 0624

DIKGATLONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	1	6 529 779	5 947 983
Trade and other receivables from exchange transactions	2	125 172 094	75 727 668
Other receivables from non-exchange transactions	3	35 395 248	149 951
Investments	5		46 445 178
VAT receivable	11	10 514 953	5 287 575
Non-current assets			
Property, plant and equipment	7	549 661 105	521 791 925
Intangible assets	8	50 115	53 093
Total assets		**727 323 294**	**655 403 373**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	17 087 900	1 820 326
Payment received in advance		28 109	-
Current provisions	12	-	-
Unspent conditional grants and receipts	13	2 524 226	-
Non-current liabilities			
Non-current borrowings	14	1 657 931	2 477 043
Total liabilities		**21 298 166**	**4 297 369**
Net assets		**706 025 128**	**651 106 004**
NET ASSETS			
Reserves		667 330 515	623 152 105
Accumulated surplus / (deficit)		38 694 613	27 953 899
Total net assets		**706 025 128**	**651 106 004**

DIKGATLONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Index	**Page**
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-21
Notes to the Annual Financial Statements	22-37
Appendix A: Schedule of External Loans	38
Appendix B: Analysis of Property, Plant and Equipment	39
Appendix C: Segment Analysis of Property, Plant and Equipment	41
Appendix C: Segmental Statement of Financial Performance	42

DIKGATLONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2013

	Note	2013	2012
Revenue			
Property rates	15	4 486 210	13 540 648
Property rates - penalties imposed and collection charges	15	-	-
Service charges	16	48 259 459	30 809 036
Rental of facilities and equipment	17	11 691	159 029
Interest earned - external investments	18	937 872	718 490
Interest earned - outstanding receivables	19	11 869 921	8 318 573
Fines	20	27 376	92 962
Licences and permits	20	-	32 202
Government grants and subsidies	20	72 543 734	63 974 021
Other income	21	5 989 968	617 553
Total revenue		**144 126 231**	**118 262 514**
Expenses			
Employee related costs	22	26 742 753	23 211 448
Remuneration of councillors	23	3 306 605	1 912 341
Bad debts	28	587 021	1 125 698
Depreciation and amortisation expense	24	16 607 565	16 553 489
Repairs and maintenance	28	2 032 896	2 313 330
Finance costs	25	393 558	87 871
Bulk purchases	26	30 905 404	23 477 636
Contracted services	27	1 684 415	5 307 894
Grants and subsidies paid		841 064	
General expenses	28	22 330 337	16 318 908
Total expenses		**105 431 618**	**90 308 615**
Surplus / (deficit) for the period		**38 694 613**	**27 953 899**

DIKGATLONG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2013

	Note	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Balance at 30 June 2(2011		**-**		**-**	**-**	-
Correction of Error		**88 200 173**				
Restated balance		**-**	**-**	**-**		-
Surplus / (deficit) on revaluation of property of property, plant and equipment		521 922 621				521 922 621
Net gains and losses not recognised in the statement of financial performance						-
Transfers to / from accumulated surplus/(deficit)			13 029 311			13 029 311
Surplus / (deficit) for the period					27 953 899	27 953 899
Balance at 30 June 2012		**610 122 794**	**13 029 311**	**-**	**27 953 899**	**651 106 004**
Surplus / (deficit) on revaluation of property of property, plant and equipment					-	-
Fair value gains, net o tax: Land and Building					-	-
Net gains and losses not recognised in the statement of financial performance			16 224 511			16 224 511
Surplus / (deficit) for the period					38 694 613	38 694 613
Balance at 30 June 2013		**610 122 794**	**29 253 822**	**-**	**66 648 512**	**706 025 128**

DIKGATLONG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2013

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		718 490	-
Taxation			
Interest received		718 490	
Other receipts			
Payments		(37 533 807)	31 604 006
Employee costs			
Suppliers		47 967 752	
Finance costs		-	(133 276)
Other payments		**(85 501 559)**	**31 737 282**
Net cash flows from operating activities	29	**(36 815 317)**	**31 604 006**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(23 087 278)	
Repayment of loans		3 662	
Purchase of other assets		(17 202 927)	(29 242 251)
Other cash items		78 302 578	
Net cash flows from investing activities		**38 016 035**	**(29 242 251)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other liabilities		(50 123)	50 123
Movement in Long-term Liabilities		-	2 473 381
Finance Lease payments		(87 871)	
Net cash flows from financing activities		**(137 994)**	**2 523 504**
Net increase / (decrease) in net cash and cash equivalents		1 062 724	4 885 259
Net cash and cash equivalents at beginning of period	1	4 885 259	-
Net cash and cash equivalents at end of period	30	**5 947 983**	**4 885 259**

DIKGATLONG LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2013

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006
GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26 Impairment of Cash - generating Assets - issued March 2009

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 25 Employee Benefits - issued December 20009
GRAP 103 Heritage Assets - issued July 2008
IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revalutaion less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	
Roads and Paving	30
Electricity mains	40 - 85
Reservoirs - Water	30
Sewerage purification	20
Water Meters	20
Community	
Buildings	30
Recreational Facilities	20 - 30
Security	5
Halls	30
Libraries	30
Parks and gardens	20 - 30
Other assets	3 - 20
Heritage assets	
Buildings	30
Finance lease assets	
Office equipment	3 - 7
Other assets	3 - 20

Other	
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	3 - 7
Furniture and fittings	7 - 10
Watercraft	15
Bins and containers	5
Specialised plant and equipment	10 - 15
Other items of plant and equipment	2 - 5
Landfill sites	15
Work in Progress	No depreciation
Land	No depreciation
Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.
The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.
A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.
Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are intitally recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are recoverable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

	Note	2013	2012
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash at primary bank		6 529 779	5 947 983
		6 529 779	5 947 983

The Municipality has the following primary bank account: -

Current Account (Primary Bank Account)

First National Bank Limited - Barkly Branch: Account Number 62022642468

Cash book balance at beginning of year	5 947 983	4 885 259
Cash book balance at end of year		5 947 983
Bank statement balance at beginning of year	222 946	5 947 983
Bank statement balance at end of year	5 947 983	4 885 259

	Note	2013	2012
TRADE AND OTHER RECEIVABLES FROM EXCHANGE		**Provision for**	
2 TRANSACTIONS	**Gross Balances**	**Doubtful Debts**	**Net Balance**
Trade receivables			
as at 30 June 2013		.	
Service debtors			
Electricity	18 841 392	6 582 626	12 258 766
Water	42 900 080	13 911 301	28 988 780
Sewerage	7 039 996	1 680 588	5 359 408
Refuse	20 455 030	7 428 741	13 026 289
Recoveries of staff expenses			-
Other receivables	54 508 619	11 986 049	42 522 570
Total	**143 745 117**	**41 589 304**	**102 155 813**
as at 30 June 2012			
Service debtors			
Rates	16 441 319	-	16 441 319
Electricity	9 494 574	-	9 494 574
Water	30 188 599	-	30 188 599
Sewerage	4 688 323	-	4 688 323
Refuse	13 737 275	-	13 737 275
Miscellaneous	1 177 578	-	1 177 578
Amounts received in advanced	(1 005 424)	-	(1 005 424)
Interest in Debtors	13 222 995	2 035 746	11 187 249
Total	**87 945 239**	**2 035 746**	**85 909 493**
Other receivables			
Other receivables			
Rates: Ageing			
Current (0 – 30 days)		411 080	102 242
31 - 60 Days		421 251	132 799
61 - 90 Days		390 176	84 574
91 - 120 Days		145 835	39 365
121 - 365 Days		17 780 413	16 082 340
+ 365 Days			
Total		**19 148 755**	**16 441 320**
Electricity, Water and Sewerage: Ageing			
Current (0 – 30 days)		10 375 141	1 109 715
31 - 60 Days		3 843 188	1 000 877
61 - 90 Days		3 126 058	1 198 531
91 - 120 Days		5 445 163	1 102 558
121 - 365 Days		101 806 811	39 959 814
+ 365 Days			
Total		**124 596 362**	**44 371 495**

Summary of Debtors by Customer Classification	**Consumers**	**Industrial / Commercial**	**National and Provincial Government**
as at 30 June 2013			
Current (0 – 30 days)	1 529 469	657 450	2 564 689
31 - 60 Days	2 169 446	496 723	2 718 726
61 - 90 Days	1 735 705	357 427	2 671 244
91 - 120 Days	1 378 886	579 860	1 322 845
121 - 365 Days	1 593 949	211 683	1 178 075
+ 365 Days	9 644 050	1 887 201	6 789 106
Sub-total	**18 051 504**	**4 190 344**	**17 244 686**
Less: Provision for doubtful debts			

	Note	2013	2012
Total debtors by customer classification	**18 051 504**	**4 190 344**	**17 244 686**
as at 30 June 2012			
Current (0 – 30 days)	1 504 801	758 520	1 456 634
31 - 60 Days	1 204 333	360 645	1 374 774
61 - 90 Days	1 204 820	376 167	1 269 215
91 - 120 Days	36 875 140	6 770 611	22 572 008
121 - 365 Days			
+ 365 Days			
Sub-total	**40 789 094**	**8 265 943**	**26 672 631**
Less: Provision for doubtful debts	27 040 543		
Total debtors by customer classification	**13 748 551**	**8 265 943**	**26 672 631**

	Note	2013	2012

2 Reconciliation of the doubtful debt provision

	2012	2011
Balance at beginning of the year	-	27 040 542
Contributions to provision	-	
Doubtful debts written off against provision	(27 040 542)	(27 040 542)
Reversal of provision	-	-
Balance at end of year	**(27 040 542)**	**-**

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all balances outstanding based on the payment ratio over 12 months per service type. The ageing of amounts past due but not impaired is as follows:

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Dog tax	-	
Plots sold	-	
Rent Income	11 691	149 951
Total Other Debtors	**11 691**	**149 951**

5 INVESTMENTS

Financial Instruments		
First National Bank Limited - Barkly Branch: Account Number 74044313240	114 011	114 011
First National Bank Limited - Barkly Branch: Account Number 71045321107	3 267	3 168
First National Bank Limited - Barkly Branch: Account Number 62005171533		1 187 517
First National Bank Limited - Barkly Branch: Account Number 62256156318	2 583 700	17 406 588
First National Bank Limited - Barkly Branch: Account Number 62279967643	2 058 742	25 117 171
First National Bank Limited - Barkly Branch: Account Number 62287817393	83 635	1 964 300
First National Bank Limited - Barkly Branch: Account Number 62345563911	1 416 642	634 326
First National Bank Limited - Barkly Branch: Account Number 62046158433	28 987	
Standard Bank Limited - Barkly Branch: Account Number 146018273	17 849	18 097
	6 306 832	**46 445 178**

Investment with a maturity period of less than 3 months earn interest rates varying from 1.6% to 6.65% per annum.

Pledged Investments
A fixed deposit amounting to R125 000 has been invested with First National Bank as security for the Electricity from Eskom.

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
as at 1 July 2012	**-**	**#VALUE!**	**-**	**-**	**-**	**-**	**-**	**-**
Cost/Revaluation	-	51,256,219	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	51,256,219	-	-	-	-	-	-
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-17,212,674	-	-	-	-	-	-
as at 30 June 2013	**-**	**#VALUE!**	**-**	**-**	**-**	**-**	**-**	**-**
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

8 INTANGIBLE ASSETS

	Computer Software	Other	Total
Reconciliation of carrying value			
as at 1 July 2012	-	-	-
Cost	-	-	-
Accumulated amortisation and impairment losses	-	-	-
as at 1 July 2012	**58 387**	**-**	**58 387**
Cost	122 137	-	122 137
Accumulated amortisation and impairment losses	63 750	-	63 750

9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2013	2012
Trade creditors	1 038 934	1 820 326
DWAF	12 553 502	
Sedibeng Water	3 495 464	
Sundry Creditors	-	
Total creditors	17 087 900	**1 820 326**

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

	2013	2012
Electricity	-	-
Water	-	
Town Hall	-	
Total consumer deposits	**-**	-

11 VAT RECEIVABLE

	2013	2012
VAT receivable	10 514 953	5 287 575

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 PROVISIONS

	2013	2012
Provision for leave	-	
Total Provisions	**-**	**-**

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Unspent Conditional Grants from other spheres of Government

	2013	2012
MSIG	-	
FMG	-	
Provincial Grants	-	
Other Unspend Grants	-	
FBDM	-	
EPWP	2 524 226	
Municipal Infrastructure Grants	-	
Rooikoppies Community Hall	-	
Total Unspent Conditional Grants and Receipts	**2 524 226**	**-**

	2013	2012
14 BORROWINGS		
Government Loans : DBSA	1 657 931	2 473 381
Other borrowings		3 662
	1 657 931	**2 477 043**
Less : Current portion transferred to current liabilities	-	558 007
Government Loans : DBSA	-	558 007
Total borrowings	**1 657 931**	**3 035 050**

Refer to Appendix A for more detail on borrowings.

15 PROPERTY RATES		
Actual		
Residential	2 584 783	1 592 425
Commercial	687 789	12 441 249
Agricultural	161 405	44 076
Industrial	1 047 120	26 443
State	161 405	97 055
Total property rates	**4 642 503**	**14 201 248**
Property rates - penalties imposed and collection charges		-
Total	**4 642 503**	**14 201 248**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of R1.15 (2012) is applied to property valuations to determine assessment rates. Rebates of 5% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 June 2011 (2010: 30 June). Interest at 5% per annum (2011:5%) is levied on outstanding rates as well as 5% (2011: 5%) collection charge two months after final date of pay

	2013	2012
16 SERVICE CHARGES		
Sale of electricity	35 514 500	14 138 403
Sale of water	7 420 544	10 198 520
Refuse removal	1 854 525	4 706 841
Sewerage and sanitation charges	1 759 795	1 765 272
Total Service Charges	**46 549 363**	**30 809 036**
17 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of equipment	11 691	159 029
Total rentals	**11 691**	**159 029**
18 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	937 872	718 490
Total interest	**937 872**	**718 490**
19 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Other Debtors	11 869 921	8 318 573
Total interest	**11 869 921**	**8 318 573**

20 GOVERNMENT GRANTS AND SUBSIDIES

	Balance unspent at beginning of year	Current year receipts	Conditions met - transferred to revenue
	R	R	R
National: Equitable share	**37 209 000**	**37 209 000**	**37 209 000**
National: MIG Grant	25 617 000	25 617 000	25 617 000
Other Grants	11 985 545	11 985 545	9 461 319
Total Government Grant and Subsidies			

	2013	2012
21 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
21.1 Other income		
Selling of Erven	-	
Sundry Income	5 989 968	617 553
Total of Other Income	**5 989 968**	**617 553**
21.2 FINES		
Fines	27 376	92 962
	27 376	**-**
21.3 LICENCES AND PERMITS		
Licences and Permits		32 202
	-	**-**

The amounts disclosed above for the Other Income are in respect of services.

	2013	2012
22 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	15 854 268	13 969 786
Employee related costs - Contributions for UIF, pensions and medical aids	4 857 215	3 793 137
Travel, motor car, accommodation, subsistence and other allowances	355 415	283 233
Housing benefits and allowances	154 800	94 797
Overtime payments	1 897 520	1 458 840
Performance and other bonuses	1 254 852	939 936
Long-service awards	254 852	168 170
Other employee related costs	2 113 830	2 503 549
Employee Related Costs	**26 742 752**	**23 211 448**

There were no advances to employees / Loans to employees.

Remuneration of the Municipal Manager		
Annual Remuneration	854 600	212 499
Performance- and other bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	**854 600**	**212 499**
Remuneration of the Chief Finance Officer		
Annual Remuneration	753 369	672 000
Contributions to UIF, Medical and Pension Funds	-	-
Total	**753 369**	**672 000**

	2013	2012
23 REMUNERATION OF COUNCILLORS		
Executive Mayor: Basic	582 752	572 948
UIF, Pension and Medical	-	-
Cellphone Allowance	-	-
Day Allowance	-	-
Travelling		75 029
Councillors: Allowances	2 777 853	291 020
Pension and Medical	-	-
Cellphone Allowance		38 802
Travelling		1 729
Basic		932 813
UIF	-	3 861
Total Councillors' Remuneration	**3 360 605**	**1 916 202**

In-kind Benefits

The Executive Mayor is a full-time Mayor. He is provided with an office and secretarial support at the cost of the Council.

24 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	16 607 565	16 540 552
Intangible assets		12 937
Total Depreciation and Amortisation	**16 607 565**	**16 553 489**
25 FINANCE COSTS		
Borrowings	-	
Finance Leases	87 871	87 871
Total Finance Costs	**87 871**	**87 871**
26 BULK PURCHASES		
Electricity	25 171 342	19 103 652
Water	5 734 062	4 373 984
Total Bulk Purchases	**30 905 404**	**23 477 636**
27 CONTRACTED SERVICES		
Contracted services for:	**1 684 415**	**5 307 894**
	1 684 415	**5 307 894**

Contracted service includes, Security services, IT,etc

	2013	2012
28 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	58 911	153 620
Audit fees		2 155 603
Bank charges	240 625	263 168
Cleaning	94 743	-
Conferences and delegations	403 957	46 668
Consulting Fee	6 213 336	
Departmental Consumption	31 182	
Council and Other Meetings	-	89 464
Commission Paid	-	103 764
Consumables	-	398 211
Computer Expenses	-	480 628
Entertainment	42 292	
EPWP Expenditure	942 602	1 606 929
Fuel and oil	2 001 236	1 215 085
Insurance	744 071	416 786
Legal Expenses	269 251	-
Licence fees	173 660	
Membership Fees	405 283	
Mayoral Office - Special Projects	-	299 052
Motor Vehicle Expenses	-	(190 299)
Purification Works: Chemicals	-	454 578
Postage	239 414	75 845
Printing and stationery	46 320	256 836
Protective Clothing	-	195 419
Pauper Funerals	-	49 466
Rental of Equipment	1 130 353	2 250 821
Security costs		2 370 852
Subscribtion & publication	-	996
Telephone cost	-	635 854
Training	-	242 875
Travel and subsistence	-	1 795 709
Indigent Support	-	128 587
Ward Committee Expenses	-	758 990
Other Expenses	-	63 401
Sewerage treatment costs	85 988	
Skills development levies	291 077	
Stocks and material	948 047	
Subscribtion & publication	23 616	
Telephone cost	694 757	
Training	307 285	
Transport claims	-	
Travel and subsistence - Local	1 217 920	
Travel and subsistence - Foreign	-	
Uniforms & overalls	215 896	
Valuation costs	-	
Water and Sanitation	152 328	
Water	-	
Other	5 356 188	
	22 330 337	**16 318 908**

	2013	2012
29 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	38 694 613	27 953 899
Adjustment for:-		
Depreciation and amortisation	(16 607 565)	16 553 489
Finance costs	(393 558)	87 871
Debt Impairment	(587 021)	1 125 698
Movements in Provisions	-	(888 491)
Interest earned	(11 869 921)	-
Operating surplus before working capital changes:	**9 236 548**	**44 832 466**
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	(49 444 426)	(75 727 668)
(Increase)/decrease in other receivables	-	(149 951)
Increase/(decrease) in trade payables		(11 154 251)
Increase/(decrease) in consumer deposits		42 757 162
Increase/(decrease) in VAT payable	5 227 378	(5 162 181)
Unspent Condition Grants and Receipts	2 524 226	(32 210 894)
Other liability		
Cash generated by/(utilised in) operations	**(32 456 274)**	**(36 815 317)**

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances	222 946	5 873 863
Other Cash and Cash equivalent		-
Net cash and cash equivalents (net of bank overdrafts)	**222 946**	**5 873 863**

31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

31.1 Audit fees

	2013	2012
Opening balance		
Current year audit fee	2 875 650	2 155 603
Amount paid - current year	(1 755 603)	(2 155 603)
Amount paid - previous years		
Balance unpaid (included in payables)	**1 120 047**	**-**

The balance unpaid represents the audit fee for an audit conducted.

31.2 VAT

VAT input receivables and VAT output payables are shown in note 18.

31.3 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
as at 30 June 2013			
Mogongwa MW	17 596	410	17 187
Kleinjan ME	5 869	174	5 695
Riet OG	11 876	300	11 576
Rifles KG	895	59	836
Mweninjawa	1 293	300	993
Motsamai DJ	11 436	383	11 052
Total Councillor Arrear Consumer Accounts	**48 966**	**1 626**	**47 339**
as at 30 June 2012			
Jammer PN	1 809	1 809	-
Thethela KE	8 017	213	7 804
Riet MS	10 871	272	10 599
Witkoei F	6 761	1 408	5 353
Rifles GM	2 035	9	2 026
Olifant V	2 296	239	2 056
Mogongwa MW	18 596	1 036	17 560
Stephens V	19 653	1 741	17 912
Madiata-Uhumbua LA	70 302	2 147	68 155
Papers CA	2 826	319	2 507
Bosman TI	1 331	129	1 202
Total Councillor Arrear Consumer Accounts	**144 496**	**9 322**	**135 174**

During the year the following Councillors had arrear accounts outstanding for more than 90 days.	Highest Amount Outstanding	Ageing Days
as at 30 June 2013		
Mogongwa MW	17 596	90 days
Riet OG	11 876	90 days
Motsamai GJ	11 436	90 days
as at 30 June 2012		
Madiata-Uhumbua LA	70 302	150 days
Stephens V	19 653	150 days

		2013	2012

31.5 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has a supply chain management policy in place.

32 RETIREMENT BENEFIT INFORMATION

32.1 Defined contribution plan

The following are defined contribution plans: These contributions have been expensed.

32.2 Defined benefit plan

These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Certain employees of the municipality belong to the SAWMU Fund, a mult-employer plan / state plan. No actuarial valuation was done as at 30 June 2013,

Contribution by Council is 18% in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

33 CONTINGENT LIABILITY

There are litigation against the Municipality due to damages arising from filling of vacant positions. Council is contesting the claim based on legal advice. The contingent liability includes legal costs of R4000 000.

Several officials are disputing the assessment process regarding their Job Evaluation. Provision has been made for the payment of the Evaluation as assessed by the SALGA.

34 CONTINGENT ASSET

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 50.2, civil proceedings have commenced against the employees concerned to recover the amount. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

35 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

Consumables from Frances Baard District Municipality

40 EVENTS AFTER THE REPORTING DATE

The Frances Baard District Municipality has agreed in principle to transfer properties and some of its assets in Koopmansfontein to Dikgatlong Municipality. This will also include the transfer of electricity and water connectivity. The date of transfer is proposed for has not yet been finalised. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenue of the RED will be or what the terms and conditions of the transfer will be.

	2013	2012

41 RISK MANAGEMENT

41.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

	2013	2012

41.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

41.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2013

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS								
DBSA Loan @ 5%	61000546	31-08-2027	1 915 374			1 915 374		
Total long-term loans								

Terms of Agreements

1. Upgrading of Electricity Network No. 1	Loan amount is R138, 366 and is payable in six monthly instalments. Debtors to the value of R600,000 are ceded to the DBSA
2. Upgrading of Electricity Network No. 2	Loan amount is R1,180,517 and is payable in monthly instalments
3. Upgrading of Vehicle Fleet	Loan amount is R2,004,000 and is payable in monthly instalments
4. Interest Rate on Loans	Capital shall bear interest on the outstanding amount at a nominal fixed rate of 5% annually

Annual Financial Statements: APPENDIX B

ANALYSIS AS AT 30 JUNE 2013

ASSET SUB CATEGORY	HISTORICAL COST							ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					CARRYING VALUE
	Opening Balance	Additions	Work In Progress	Disposals	Adj. in Fair Value	Adj. of Provisions	Closing Balance	Opening Balance	Additions	Impairment Losses	Disposals	Closing Balance	
INTANGIBLE ASSETS													
INTANGIBLE ASSETS	66,030	15,194	-	-	-	-	81,223	-12,937	-17,698	-	-	-30,634	50,589
Sub Total	66,030	15,194	-	-	-	-	81,223	-12,937	-17,698	-	-	-30,634	50,589
INFRASTRUCTURE ASSETS													
Electricity	36,134,038	759,756	1,951,922	-	-	-	38,845,716	-9,058,541	-806,462	-	-	-9,865,003	28,980,712
Roads	402,296,997	-	39,068,682	-	-	-	441,365,679	-134,111,715	-9,022,323	-	-	-143,134,038	298,231,641
Sewerage	51,256,219	-	-	-	-	-	51,256,219	-17,212,674	-1,430,550	-	-	-18,643,224	32,612,995
Water	116,779,708	-	364,710	-	-	-	117,144,418	-22,925,703	-3,029,309	-	-	-25,955,011	91,189,406
Sub Total	606,466,962	759,756	41,385,314	-	-	-	648,612,032	-183,308,633	-14,288,644	-	-	-197,597,276	451,014,754
LAND AND BUILDINGS													
Buildings	26,999,371	226,885	227,293	-	-	-	27,453,548	-7,847,896	-1,081,281	-	-	-8,929,178	18,524,371
Land	74,122,747	-	-	-	-	-	74,122,747	-	-	-	-	-	74,122,747
Sub Total	101,122,118	226,885	227,293	-	-	-	101,576,295	-7,847,896	-1,081,281	-	-	-8,929,178	92,647,118
OTHER													
Emergency Equipment	40,914	-	-	-	-	-	40,914	-25,950	-7,167	-	-	-33,116	7,798
Furniture And Fittings	2,117,644	47,076	-	-	-	-	2,164,720	-1,050,987	-304,985	-	-	-1,355,972	808,748
Motor Vehicles	3,064,254	1,361,456	-	-	-	-	4,425,711	-480,710	-192,669	-	-	-673,379	3,752,332
Office Equipment	2,395,555	207,540	-	-	-	-	2,603,095	-1,198,905	-457,988	-	-	-1,656,893	946,203
Plant And Equipment	1,051,809	113,387	-	-	-	-	1,165,197	-554,243	-133,969	-	-	-688,212	476,985
Sub Total	8,670,176	1,729,459	-	-	-	-	10,399,637	-3,310,795	-1,096,778	-	-	-4,407,572	5,992,066
TOTAL	716,325,285	2,731,294	41,612,608	-	-	-	760,669,187	-194,480,260	-16,484,400	-	-	-210,964,660	549,704,527

Annual Financial Statements: COST CENTRE

SEGMENTAL ANALYSIS AS AT 30 JUNE 2013

COST CENTRE	HISTORICAL COST							ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					CARRYING VALUE
	Opening Balance	Additions	Work In Progress	Disposals	Adj. in Fair Value	Adj. of Provisions	Closing Balance	Opening Balance	Additions	Impairment Losses	Disposals	Closing Balance	
	17,807,908	2,723,576	44,388,227	-	-	-	64,919,711	-12,937	-33,852	-	-	-46,788	64,872,923
Corporate Services	900,825	-	-	-	-	-	900,825	-344,851	-135,734	-	-	-480,586	420,240
Executive and Council	854,418	-	-	-	-	-	854,418	-250,454	-112,829	-	-	-363,282	491,136
Financial Services	3,268,478	-	-	-	-	-	3,268,478	-1,598,795	-508,924	-	-	-2,107,719	1,160,759
Municipal Manager	109,450	-	-	-	-	-	109,450	-47,890	-19,163	-	-	-67,053	42,397
Technical Services	693,384,207	-	-	-	-	-	693,384,207	-192,225,333	-15,672,464	-	-	-207,897,797	485,486,410
TOTAL	716,325,285	2,723,576	44,388,227	-	-	-	763,437,089	-194,480,260	-16,482,965	-	-	-210,963,225	552,473,864

DIKGATLONG LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus / (Deficit)		2013 Actual Income	2013 Actual Expenditure	2013 Surplus / (Deficit)
`						
65 251 541	45 152 427	20 097 441	Executive & Council	65 251 541	45 152 427	20 097 441
8 080 802	3 606 103	4 474 699	Office of the Municipal Manage	8 080 802	3 606 103	4 474 699
652 541	3 753 930	(3 101 389)	Corporate Service	652 541	3 753 930	(3 101 389)
7 725 115	6 895 017	830 098	Financial Services	7 725 115	6 895 017	830 098
36 552 514	30 901 135	5 651 379	Technical Services	36 552 514	30 901 135	5 651 379
118 262 513	**90 308 612**	**27 952 228**		**118 262 513**	**90 308 612**	**27 952 228**
			Less: Inter-Department Charges			
118 262 513	**90 308 612**	**27 952 228**	Total	**118 262 513**	**90 308 612**	**27 952 228**
		1 586 070				